U.S. POSTAL SERVICE
OFFICE OF INSPECTOR GENERAL

AUDIT PLAN
Fiscal Year 2006

AUDIT PLAN

Fiscal Year 2006

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BACKGROUND

The Postal Service's mission is to bind the nation together through the personal, educational, literary, and business correspondence of the people and provide prompt, reliable, and efficient services to patrons in all areas. The Postal Service has annual operating revenue of $69 billion and more than 700,000 career employees. It delivers more than 206 billion pieces of mail each year, representing more than 44 percent of the world's mail. To deliver world-class service, the Postal Service must excel in performing its core business processes of accepting, processing, transporting and delivering the mail, as well as marketing postal products and services.

In April 2002, the Postal Service issued a comprehensive Transformation Plan to address its financial, operational, and human capital challenges. In July 2003, the President's Commission issued its report articulating a vision for the future of the Postal Service. In its Five Year Strategic Plan (FY 2004-2008), the Postal Service identifies four broad strategic goals focused on results and describes how the Postal Service will continue to respond to the American people and increase its value in the U.S. economy. These goals are to improve service, manage costs, enhance performance-based culture, and generate revenue.

The Strategic Transformation Plan 2006-2010, published in September 2005, combines key elements from the previous strategic plan, Annual Performance Plan, the original Transformation Plan, and the Transformation Progress Report. This plan emphasizes the importance of the Postal Service becoming a customer-focused culture across all points of the Delivering Results Star, which is comprised of developing people, managing costs, improving service, growing revenue, and pursuing reform.

The Office of Inspector General (OIG) concentrates its resources on high-risk and strategically important areas to increase the efficiency and effectiveness of Postal Service's programs and operations. The OIG provides timely information to Postal Service management for decision-making and keeps the Board of Governors (BOG) and Congress fully informed of significant issues.

The OIG's fiscal year (FY) 2006 Audit Plan communicates our audit priorities to the Postal Service, the BOG, Congress, and other interested parties; and presents our work in three broad areas of impact on Postal Service operations: Financial, Core, and Headquarters. The plan includes audits that are required by statute as well as those that address the major management issues facing the Postal Service. We developed the plan using expert planning techniques, including all necessary tools available to accurately plan and develop comprehensive audit projects to maximize value to Postal Service operations. The planned work will contribute to answering the strategic question we ask in each of our directorates.

MISSION AND ORGANIZATION

The OIG was established on September 30, 1996, pursuant to Public Law 104-208, known as the *Omnibus Consolidated Appropriations Act* of 1997. General OIG authority is established under the *Inspector General Act* of 1978, as amended, which provides statutory responsibility to protect the integrity of Postal Service programs and operations and ensure mail service is administered with maximum economy and efficiency. In addition, the OIG has oversight responsibility for all activities of the Postal Inspection Service. The OIG is an independent agency within the Postal Service under the general supervision of nine presidentially appointed Postal Service governors.

The OIG's mission is to conduct and supervise objective and independent audits, reviews, and investigations relating to Postal Service programs and operations to:

- Prevent and detect fraud, waste, and abuse;
- Promote economy, efficiency, and effectiveness;
- Promote public integrity;
- Strengthen professional relationships; and
- Keep the BOG and Congress informed of the problems, deficiencies, and corresponding corrective actions.

Under the leadership of the Inspector General, the Assistant Inspector General for Audit (AIGA) is responsible for the Office of Audit. Deputy Assistant Inspectors General for Audit (DAIGAs) report to the AIGA and oversee Financial, Core, and Headquarters Operations. Our audit resources are aligned with those of the Postal Service vice presidents (VPs) and major functional areas, allowing us to focus our efforts where there is the greatest potential risk to management. OIG audits and reviews are designed to protect assets and revenue, ensure efficient and economical mail delivery, and safeguard the integrity of the postal system. OIG special studies provide insight on quantitative issues involving Postal Service operations and economic matters. Our audits and reviews are performed in compliance with the standards published by the Comptroller General of the United States, the American Institute of Certified Public Accountants, the Institute of Internal Auditors, and the President's Council on Integrity and Efficiency.

In constructing our FY 2006 plan, we focused on those projects that provide Postal Service management with valuable information to address the emerging strategic issues and management challenges they are facing. The DAIGAs advise the AIGA on the major risks facing the Postal Service in their program areas and propose audits based on these perceived risks and stakeholder concerns, as well as follow-up reviews of previously audited areas with significant control weaknesses. The DAIGAs also maintain professional relationships with

Postal Service executives to ensure open communication and full coverage of issues and challenges facing the Postal Service.

EXPERT PLANNING, VALUE PROPOSITIONS, AND THE PLANNING PROCESS

The OIG designed the FY 2006 audit plan to ensure we direct audit resources toward top priorities. We use professional judgment to determine the critical areas for audit attention based on the potential for adverse effects on the Postal Service. The OIG developed the plan using an initiative we introduced in FY 2005, Expert Planning. Expert Planning is a continuous process that emphasizes the ongoing collection and analysis of strategic information related to the Postal Service.

As part of Expert Planning, the audit directors (along with their DAIGA) explore — with their Postal Service counterparts — significant areas of work that could lead to a value proposition. In the value proposition concept, audit directors and their designated Postal Service VPs jointly identify key issues or areas for OIG review. This concept is intended to engage the VPs in identifying the most important areas where the OIG could help reduce costs or raise revenue. As these areas are identified, they provide the OIG with a strategic vision for future audit work in that area. The value proposition results in a contract between the audit director and the VP that specifies:

- Area of focus
- Objectives/VP goals
- Scope of work
- OIG resources to be used
- Postal Service resources to be used
- Anticipated value
- Deliverables

Our planning process is comprised of four main steps: (1) identification of an audit universe; (2) determination of a project universe; (3) completion of a risk assessment; and (4) development of an audit plan. We identify the audit universe with input from various sources such as the BOG, Congress, Unions, Postal Service management, OIG employees, and our database of Hotline complaints.

Each audit director determines the project universe; develops a key, strategic question for their program area; and builds a multi-year body of work to answer that question and address the management challenges facing the Postal Service. Directors also solicit input from each of the Postal Service's major programs or departments they interact with by holding stakeholder engagement meetings to discuss strategic issues. They put information they obtain from these meetings

into an automated system that allows OIG management to share high-level information and leads.

To prioritize the projects to be included in the plan, we perform a risk assessment on each project's impact on Postal Service-wide operations and goals. In addition, we consider materiality and evaluate each project according to the perceived sensitivity and visibility to the public and/or legal impact.

The chart below shows the percentage of resources allocated to the FY 2006 planned projects for the various performance and financial areas. If significant and unexpected events occur during the year, we will adjust our plan accordingly.

Percentage of OA Resources by Audit Areas

Transportation
9%

Financial
Statements
10%

Network
Operations
Processing
9%

Delivery and Retail
9%

Financial
Installation Audits
26%

Marketing
2%

Information
Systems
9%

Oversight of
Investigative
Activities
5%

Engineering
5%

Human Capital
5%
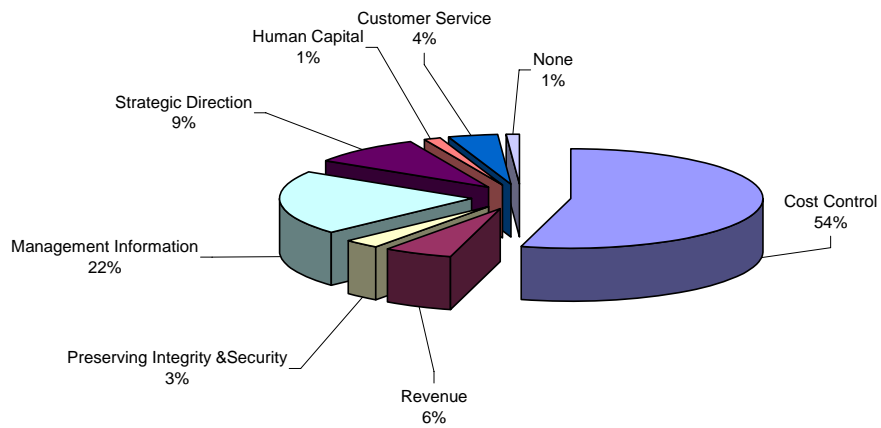
Facilities
5%

Supply
Management
5%
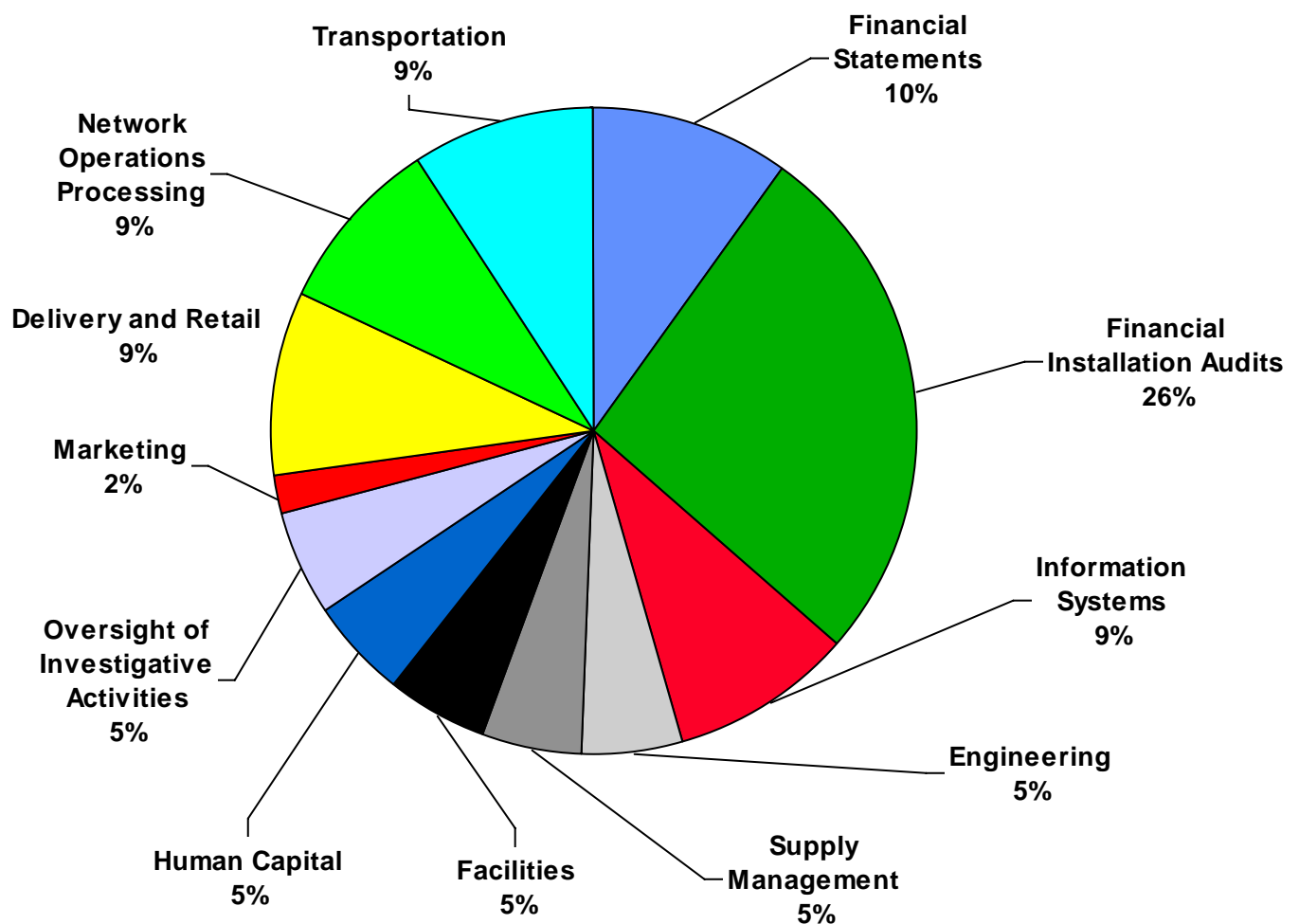
MANAGEMENT CHALLENGES FACING THE POSTAL SERVICE

We focus our audit plan on addressing the emerging issues and management challenges facing the Postal Service, as well as its strategic goals. This allows us to be responsive to imminent concerns, Postal Service initiatives, and business environment changes. The OIG has identified the following seven management challenges the Postal Service currently faces:
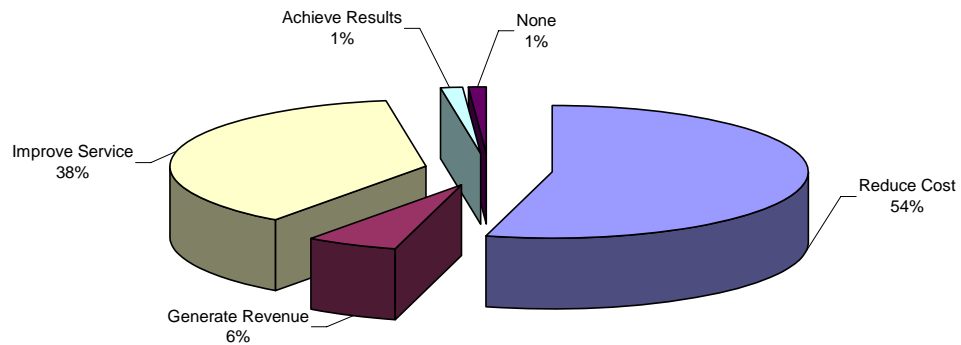
- **Cost Control –** Controlling costs is critical to maintaining universal service. The greatest opportunities to reduce costs continue to be in the areas of optimizing the network to control delivery costs, increasing efficiencies of technology investments, and maximizing the cost-effectiveness of contracts.

- **Revenue –** The Postal Service's goal for growing revenue is to enhance its core services and provide greater value to its customers. Opportunities to increase revenue include establishing customized mail agreements, collecting package surcharges, and improving the management of vending equipment sales and service.

- **Human Capital –** Resolving workforce and workplace issues is crucial to maximizing the Postal Service's performance. These issues include addressing complaints of hostile work environments and controlling the cost of using Office of Workers' Compensation Programs (OWCP).

- **Preserving Integrity and Security –** The Postal Service has the monumental task of securing the nation's mail system — despite threats of terrorism or natural disaster — and safeguarding its more than 700,000 employees, nearly 38,000 facilities, and about 206 billion pieces of mail each year. High priorities also include the security and privacy of electronic information maintained within the Postal Service's network infrastructure and voice systems.

- **Strategic Direction –** The Postal Service must work within existing laws to increase its effectiveness and ensure that new products and services are self-sustaining and relate to its core business.

- **Management Information –** The Postal Service has embarked on an effort to provide information that better meets the needs of its managers and stakeholders. This addresses the concern that information provided by the Postal Service is not transparent.

- **Customer Service –** The Postal Service must balance its public service obligation with the need to remain commercially viable. Deploying Automated Postal Centers (APCs) is one initiative designed to achieve this end.

The following charts show the percentage of resources allocated to audits by management challenge and by strategic goal. The Financial Statement audit is not included

FY 2006 Staffdays by Management Challenge

Customer Service
4%

Human Capital
1%

None
1%

Strategic Direction
9%

Cost Control
54%

Management Information
22%

Preserving Integrity &Security
3%

Revenue
6%

FY 2006 Staffdays by Strategic Goals

Achieve Results
1%

None
1%

Improve Service
38%

Reduce Cost
54%

Generate Revenue
6%

AUDIT PROGRAM AREAS

The FY 2006 Audit Plan presents the scheduled audit projects in three major areas of impact on Postal Service operations: Financial, Core, and Headquarters. Below are brief descriptions of and the associated planned audits for each area.

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FINANCIAL OPERATIONS

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In its April 2002 Transformation Plan, the Postal Service stated that its goal was to reduce costs by $5 billion by the end of 2006. Through the end of FY 2003, the Postal Service estimated they had achieved $2.7 billion in cost savings and expense reductions. The Postal Service relies on strong financial management controls to maximize revenue and minimize costs. In addition, the Postal Service recognizes technology as key to productivity and efficiency. Accordingly, it must ensure that its technological investments are sound.

Our audit work will add value to Postal Service financial management processes and information systems by identifying opportunities for cost savings and improved risk management; and by detecting and deterring fraud, waste, and abuse.

The Postal Service received over $69 billion in revenue during FY 2004 from the over 206 billion pieces of mail delivered and is number 44 on Fortune's 2005 Global 500.

The following directorates report to the DAIGA for Financial Operations:

Financial Statements

The *Postal Reorganization Act* of 1970 requires an annual audit of the Postal Service's financial statements. The OIG conducts audits in support of the BOG's independent public accountant's overall opinion on those statements. These audits assess the integrity and reliability of the financial information in the Postal Service financial statements. The Postal Service's Information Technology and Accounting Service Centers oversee the collection of the annual $69 billion in revenue and the recording of a similar amount of expenses each year.

The Financial Statements directorate seeks to determine whether the annual financial statements are fairly presented and in compliance with direct and material laws and regulations, and whether internal controls are in place and are effective. To that end, they plan and direct work at Postal Service Headquarters and Accounting Service Centers in support of the independent public accounting firm's annual financial audit opinion and conduct other financial audits to identify areas for improvement.

PROJECT	OBJECTIVE
Board of Governors (BOG) Administration Policies and Procedures (2005 – Work In Process)	Review policies and procedures for administering the office of the BOG.
Annuitant Health Benefits (2005 – Work In Process)	Review controls over United States Postal Service (USPS) payments to the Office of Personnel Management (OPM) for annuitant health benefits and verify the accuracy of payments of approximately $125 million a month for about 440,000 retirees and survivors.
Financial Statement Annual Audit (San Mateo, St. Louis, and Eagan Accounting Service Centers) (2005 – Work In Process; 2006 – New Start)	In support of the opinion on USPS financial statements, currently provided by Ernst & Young LLP, determine whether financial accounting policies and procedures provided for an adequate internal control structure and were in accordance with generally accepted accounting principles whether USPS complied with material laws and regulations and whether general ledger account balances were consistent and fairly stated in the national trial balance in accordance with generally accepted accounting principles
Financial Statements. Headquarters Audit (2005 – Work In Process; 2006 – New Start)	In support of the opinion on USPS financial statements, currently provided by Ernst & Young LLP, determine whether financial accounting policies and procedures provided for an adequate internal control structure and were in accordance with generally accepted accounting principles; whether USPS complied with material laws and regulations; and whether general ledger account balances for investments, unemployment compensation, workers' compensation, and Governors' and officers' travel and expenses were consistent and fairly stated in the national trial balance in accordance with generally accepted accounting principles.
Governors' Travel and Expense Audit (2005 – Work In Process; 2006 – New Start)	Determine whether the BOG's travel and miscellaneous expenses are properly supported and comply with USPS policies and procedures and the Board's guidelines.
Officers' Travel and Expense Audit (2005 – Work In Process; 2006 -- New Start)	Determine whether USPS officers properly support claimed travel and representation expenses and whether they comply with USPS policies and procedures.
Agreed Upon Federal Intergovernmental Transactions Procedures (2005 – Work In Process; 2006 – New Start)	Perform procedures agreed upon by the Department of Treasury, Government Accountability Office (GAO), and Office of Management and Budget, to assist Treasury in the preparation of, and the GAO in the audit of, the consolidated financial statements of the U.S. government.
Special Purpose Financial Statement Opinion Audit (2005 – Work In Process; 2006 – New Start)	Express an audit opinion on special purpose financial statements created from amounts entered by Corporate Accounting into the Government Financial Reporting System (GFRS). These special purpose financial statements are the basis for Treasury's Consolidated Financial Report of the U.S. government.

PROJECT	OBJECTIVE
OPM Agreed Upon Procedures Withholdings and Contributions (2006 – New Start)	Perform procedures agreed upon by the inspector general, chief financial officer, and the associate director for Retirement and Insurance Service of OPM, to assist OPM in verifying employee withholdings and employer contributions reported on the "Report of Withholdings and Contributions for Health Benefits, Life Insurance, and Retirement."
Compliance With the Bank Secrecy Act (BSA) (2005 – Work In Process; 2006 – New Start)	Review USPS' compliance with BSA and determine whether there are opportunities for improvements in recordkeeping, reporting, and training. Also, conduct a joint review of the Dinero-Seguro program.
Meter Vendor Procedures and Refunds (2006 – New Start)	Review Meter Vendors' procedures for processing customer transactions, including proper daily reporting of this activity. Also, review internal controls over Meter Refunds including whether they are paid properly and whether this activity is controlled and reconciled on a timely basis.
Forecasting (2006 – New Start)	Evaluate USPS' methodology of forecasting financials and determine the extent of management decisions based on those forecasts.
USPS' Voluntary Compliance with Security and Exchange Commission Reporting Requirements – Management Assessment of Internal Controls (2006 – New Start)	Review the status of Postal Service's voluntary compliance with provisions of Section 404 of the Sarbanes-Oxley Act.

Field Financial

The OIG conducts audits in support of the BOG's independent public accountant's overall opinion of Postal Service financial statements. The field financial audits assess the integrity and reliability of the financial information in these statements.

The Field Financial directorates assess whether financial information related to field operations is accurately presented and whether internal controls are in place and effective. To that end, they plan and direct work at Postal Service field units such as post offices, contract postal units, self-service and automated postal centers, and business bulk mail entry units in support of the independent public accounting firm's annual financial audit opinion and conduct other financial related audits to identify areas for improvement.

PROJECT	OBJECTIVE
FY 2006 Financial Installation Audits (2006 – New Start)	In support of the opinion on the Postal Service financial statements currently provided by Ernst & Young LLP, determine whether financial transactions of field operations were reasonable and fairly represented in the accounting records and whether internal controls were in place and effective.

PROJECT	OBJECTIVE
FY 2006 Cost and Revenue Analysis Audits (2006 – New Start)	Determine whether the statistical tests conducted to collect cost, revenue, and volume data were performed in accordance with established policies and procedures.
Review of Inactive Advance Deposit Accounts (2006 – New Start)	Determine whether advance deposit accounts are reasonably and fairly presented in the accounting records and internal controls are in place and effective.
Pricing and Classifications Service Center (PCSC) (2006 – New Start)	Determine whether financial transactions are reasonably and fairly presented and internal controls are in place and effective at the PCSC.

Information Systems

The Postal Service relies on a complex computer infrastructure and has initiated information technology projects to enhance efficiency and increase revenue. OIG work in this area assists the Postal Service in ensuring they maintain and improve computer security to reduce the risk of fraud, inappropriate disclosure of sensitive data, unauthorized disclosure of customer information, and disruption of critical operations and services.

The Information Systems directorate assesses whether Postal Service information resources provide the highest level of security, reliability, and value expected by Postal Service customers. To that end, they plan and direct audits and reviews of major Postal Service information systems to determine whether management has properly established general and application controls and designed systems to be secure and provide accurate data to management.

PROJECT	OBJECTIVE
FY 2005 Information System Controls at San Mateo, St. Louis, and Eagan (2005 – Work In Process)	Determine if (1) general controls over the information systems at the Information Technology Centers (ITCs) provide reasonable assurance that computer processed data is accurate, complete, and secure; (2) software, data, personnel, and physical security controls that affect computer hardware and the security of software and data at the ITCs are adequate; (3) data integrity is provided; and (4) business practices comply with Postal Service policies, procedures, and standards.
SAP Development-Human Resource (HR) System-Separation of Duties (2005 -- Work In Process)	Determine if adequate separation of duties exist for roles in the new HR system.
SAP - Use of Production Data in Test Environments (2005 – Work In Process)	Determine whether there are adequate system controls over roles and separation of duties with the SAP Human Resources system. As part of this review, we will evaluate controls over the use of sensitive production data during testing of roles implemented within the system.
APC Audit and Security Vulnerability Assessment Testing (VAT) (2005 – Work In Process)	Determine if Postal Service APC transactions are valid and customer data and information resources are protected. Security vulnerability testing will be conducted on a sample of APCs to determine whether kiosks or data collected are at risk of unauthorized access by outside parties.

PROJECT	OBJECTIVE
APC Encryption (2005 -- Work In Process)	Determine whether Postal Service customer data and information resources related to APC systems are protected from unauthorized use.
Audit of Information Security Assurance (ISA) Process (2005 --Work In Process)	Evaluate the effectiveness of information security policies, procedures, and practices of the Postal Service ISA process.
Data Input Validation for the Facilities Data Base (FDB)(2005 – Work In Process)	Validate whether source systems' data feeding the FDB are current, complete, and accurate.
Follow-Up at the Engineering Research & Development Center, Merrifield, VA (2005 – Work In Process)	Perform follow-up to assess 1) general controls at the Engineering Facility, and 2) implementation of the significant recommendation from 2003.
Cell Phone Asset Management (2005 --Work In Process)	Determine if USPS is effectively managing its mobile communication assets.
Application Control Review of the National Change of Address (NCOA) System (2005 – Work In Process)	Determine if sufficient controls are in place to ensure that data is valid, authorized, and completely and accurately processed.
Security Vulnerability Testing of NCOA Servers (2006 – New Start)	Perform 1) security vulnerability assessments of application servers, and 2) compliance tests to applicable USPS hardening standards.
Application Control Review of POSTAL/1 and Interface with Retail Sales Audit/Standard Accounting for Retail and Centralized Automated Processing System (2006 – New Start)	Determine if sufficient controls are in place to ensure that data is valid, authorized, and completely and accurately processed.
Inspection Service Network Perimeter Security (2006 – New Start)	Evaluate controls over routers and firewalls within the Inspection Service.
FY 2006 Information System General Controls Audit (2006 --New Start)	Determine whether general controls over information systems and infrastructure at USPS Information Technology and Accounting Service Centers are in place and operating as intended.

This audit supports the FY 2006 annual financial statement audit of USPS. |
| Security Vulnerability Assessment Testing of Selected Servers at San Mateo and Eagan (IS Controls) (2006 – New Start) | Perform 1) security assessments of selected servers at the Eagan and San Mateo Host Computing Services on an annual rotational basis, 2) compliance tests of the selected servers to the appropriate USPS hardening standards, and 3) security vulnerability assessments of the selected servers. |
| Security Vulnerability Assessment of Mail Processing System Network 56.xx.xx.xx Plus Routers and Firewalls (2006 – New Start) | Assess security of the mail processing equipment network and general controls over routers and firewalls protecting mail processing facilities. |

PROJECT	OBJECTIVE
Payment Switch Application Development Review (2006 – New Start)	Verify for transaction processing that the routing and storage of customer information is secure within Postal Service systems and the payment switch environment. Transaction origin includes the internet, retail, vending, which includes APCs and mail and telephone orders. The review will include verification of backup processes and offsite storage procedures and practices at backup sites.
Human Capital Enterprise (HCE) Application Development Audit (2006 – New Start)	Evaluate 1) the SAP change management process to include policies, procedures, and technical processes regarding manual and automated transports of programs to production, 2) the initial data load from Complement Management System to SAP and the subsequent data validation, and 3) the daily data flows from SAP into the Employee Master File and the data validation processes to insure system integrity.
Security Vulnerability Assessment Selected Legacy Systems (2006 – New Start)	Perform security vulnerability assessments of Legacy application servers.

CORE OPERATIONS

The Postal Service delivers more than 206 billion pieces of mail each year and collects mail from over 280,000 points — including blue street mailboxes — across the country. The Postal Service serves over 7 million customers each day at nearly 38,000 post offices and retail outlets.

To deliver world-class service, businesses and government agencies must excel at their core business processes. For the Postal Service, these core business processes and systems are accepting, processing, transporting, and delivering the mail. The Postal Service relies on strong financial management controls, reliable business systems, and efficient mail processing equipment to maximize revenue and minimize costs. The Postal Service must also maintain its market share of the mailing industry by providing affordable products and services at places convenient to its customers. Its challenge is to balance its statutory mandate of providing universal service with remaining a viable business enterprise.

The following directorates report to the DAIGA for Core Operations:

Network Operations Processing

The Postal Service accepts more than 206 billion pieces of mail per year in a variety of ways, including collecting it from more than 280,000 collection points. OIG work in this area helps the Postal Service ensure timely and accurate delivery of mail and explore ways to enhance accepting and processing mail through reviews of efficiency and equipment utilization, standardization of operations, and network changes.

The Network Operations Processing directorate seeks to determine whether the Postal Service is efficiently processing mail and effectively streamlining the mail processing network and reducing costs. To that end, they plan and direct audits and reviews focusing on the economy, efficiency, and effectiveness of mail acceptance, collection, and processing operations, as well as logistics activities supporting these operations.

PROJECT	OBJECTIVE
Bulk Mail Center – Washington, DC (2005 – Work In Process)	Determine if resources are being used efficiently including assessing the sacks/tray issue.
Air Mail Records Unit – Chicago Information Service Center (ISC) (2005 -- Work In Process)	Determine if resources are being used efficiently.
Air Mail Records Unit – Global (2005 -- Work In Process)	Determine if there are opportunities to consolidate operations.

PROJECT	OBJECTIVE
Mail Processing Equipment – Carrier Sequence Barcode Sorter (CSBCS) (2005 – Work In Process)	Determine if CSBCS used at associate offices are still necessary.
Worldway Air Mail Center, Los Angeles (2005 – Work In Process)	Evaluate the efficiency of the Air Mail Center mail processing operation and assess the effectiveness of the facility utilization.
Bulk Mail Centers (2005 – Work In Process; 2006 – New Start)	Evaluate the efficiency of operations of the bulk mail centers in Washington, DC, and Dallas, Texas.
Efficiency Reviews (2006 – New Start)	Determine if resources are being used efficiently at selected mail facilities.
Sack/Tray Processing (2006 – New Start)	Evaluate the use of sacks/trays and assess opportunities to improve operations.
Area Mail Processing (AMP) Validation (2006 – New Start)	Evaluate whether proposed network changes present a favorable business case for consolidating mail processing operations.
CSBCS (2006 – New Start)	Evaluate the use of the equipment and assess opportunities to improve operations.
Mail Processing Standard Operating Procedures (2006 – New Start)	Assess mail color coding and clock rings in selected mail processing plants.
Singulation Scan Induction Unit (2006 – New Start)	Evaluate the efficiency of the singulation scan induction unit across the bulk mail center network.
Excess/Obsolete Equipment (2006 – New Start)	Evaluate the disposition of excess mail processing equipment.
AMP Post Implementation Review (2006 -- New Start)	Determine whether projected savings and operational efficiency are accomplished following completion of an AMP.
Mailpiece Design Specialist (2006 – New Start)	Assess whether resources are being used effectively.

Evolutionary Network Development

One of the primary roles of the Evolutionary Network Development (END) directorate is to integrate OIG efforts related to END that cut across the OIG organization. Their role includes integrating END initiatives within the OIG and consolidating the various OIG reviews related to END into a comprehensive report.

The END directorate seeks to determine whether the Postal Service uses the Evolutionary Network Development initiative to create a flexible logistics network that reduces costs, increases operational effectiveness, and improves service. To that end, they plan and direct audits and reviews focusing on the economy, efficiency and effectiveness of the Evolutionary Network Development. Additionally, the Network Operations Processing, Engineering, and Transportation Directorates will also conduct reviews related to END goals.

PROJECT	OBJECTIVE
END Progress (2005 – Work In Process; 2006 – New Start)	Determine the status of the END project implementation.
Other END Issues, such as the BMC Retrofit (2006 – New Start)	Determine if the END initiative is achieving desired results.

Transportation

Transportation includes air, highway, rail, and maritime networks, plus logistical support to all transportation operations, or other Postal Service facilities. Every year, more than 206 billion pieces of mail and equipment move over transportation networks. This movement is supported by major logistical activities, including 22 Mail Transport Equipment Service Centers, fuel procurement, vehicle acquisition, and various supplies and services and includes the operation of a transport and delivery fleet of over 200,000 vehicles driving about 1.1 billion miles a year. Transportation and logistics cost the Postal Service more than $7 billion annually. Our work will assist the Postal Service in increasing efficiency in transportation.

The Transportation directorate seeks to determine whether transportation network operations and logistics are effective, efficient, and secure; and to determine if there are opportunities to save money. To that end, they accomplish their mission by examining the security, economy, efficiency, and effectiveness of transporting mail on air, highway, rail and maritime networks. Our work in this area involves performance auditing of operations, procurements, logistical support systems, and other programs costing the Postal Service more than $7 billion every year.

PROJECT	OBJECTIVE
Highway Contract Routes (2005 – Work In Process)	Evaluate the effectiveness of highway contract routes and identify opportunities for savings.
Mail Transport Equipment Service Center (MTESC) (2005 – Work In Process)	Evaluate the effectiveness of MTESC transportation and determine opportunities for savings.
Transportation Optimization, Planning, and Scheduling (TOPS) Decision Analysis Report (2005 – Work In Process)	Determine whether the decision analysis report has been properly prepared in accordance with Postal Service investment policy, and whether it provides decision makers with the information they need to make an informed investment decision.
Air Networks – Federal Express (2006 – New Start)	Evaluate the effectiveness of FedEx contract support to air network operations and identify opportunities for savings.
Air Networks -- Air Mail Center Function Reviews (2006 – New Start)	Evaluate the effectiveness of Air Mail Center functions in support of air network operations and identify opportunities for savings.
Intermodal Transportation – Surface and Air (2006 – New Start)	Evaluate the effectiveness of air network operations and determine if opportunities for savings exist by moving mail volume to surface transportation.

PROJECT	OBJECTIVE
Emergency Trips (Unscheduled extra trips) (2006 -- New Start)	Evaluate the effectiveness of emergency (or unscheduled) extra trips and identify opportunities for savings.
Hub and Spoke Program (HASP) /Surface Transfer Facility Network (2006 – New Start)	Evaluate the effectiveness of HASP transportation and network expansion and identify opportunities for savings.
Fuel Procurement (2006 – New Start)	Analyze whether the various fuel procurement programs are effective and identify opportunities to save money.
National Trailer Lease Renewal (2006 – New Start)	Evaluate the Postal Service's renewal of leased trailers and identify opportunities to eliminate trailers and save money.
Postal Vehicle Service (2006 – New Start)	Evaluate the Postal Service utilization of its vehicle fleet and identify opportunities to save money.

Delivery and Retail

Delivery and Retail are critical components in helping the Postal Service fulfill its mission of universal mail delivery and efficient service to patrons in all communities. The Postal Service delivers mail to over 142 million addresses, employs more than 700,000 career employees, and provides customers with access to services through an extensive network of retail facilities. The Postal Service must continue to improve delivery efficiency and reduce costs despite an increasing delivery network and declining First Class mail volume. Also, the Postal Service must continue to monitor the changing marketplace and respond with alternative retail access to products and services. OIG's work will assist the Postal Service in improving customer service, increasing revenue, and decreasing costs.

The Delivery and Retail directorate seeks to determine whether delivery and retail operations of the Postal Service are increasing revenue, reducing costs and improving customer service in all communities. To that end, they plan and direct audits and reviews that examine how the Postal Service is providing its retail services to its customers and address the economy, efficiency and effectiveness of delivery operations.

PROJECT	OBJECTIVE
City Letter Carrier Operations – Detroit District and Greater Indiana District (2005 – Work In Process)	Assess the management of city letter carrier operations. Determine whether delivery unit supervisors/managers adequately match workhours with workload; effectively use the Delivery Operations Information System (DOIS) to provide actionable data to assist in managing office activities; and adequately perform street management to monitor delivery letter carriers' street time to correct negative trends
City Letter Carrier Operations – National Capping Report (2005 – Work In Process)	Summarize key information from Value Proposition audits of city letter carrier operations and provide recommendations to address nationwide issues.

PROJECT	OBJECTIVE
Delivery Vehicle Utilization – Nationwide (2005 – Work In Process)	Assess controls to ensure that postal-owned delivery vehicles are fully utilized and determine whether commercial and employee leases in support of delivery operations are necessary and cost effective.
Address Management System (AMS) (2005 – Work In Process)	Assess the Postal Service's management of the Delivery/AMS Quality Review results to ensure address information is correct and complete to effectively process and deliver the mail.
Effectiveness and Efficiency of the CSBCS Project (2005 – Work In Process)	Evaluate opportunities to improve efficiency of Delivery Point Sequence (DPS) mail processing.
APCs Deployment Strategy (2005 – Work In Process)	Assess the adequacy of the full-scale deployment of APCs by evaluating management's process for determining the location for the new APCs. Assess Postal Service plans to remove older vending machines from facilities receiving APCs and redistribute them to other locations. Focus will be placed on the aging and inoperable vending machines, cash vs. credit and debit card machines.
Retail Workhours to Workload (2005 – Work In Process)	Determine whether retail managers adequately manage workhours to workload.
Point-of-Service ONE (POS ONE) (2006 – New Start)	Assess whether the implementation of POS ONE has resulted in reducing costs and improving management information.
Preventive Maintenance at Vehicle Maintenance Facilities (2006 – New Start)	Assess the management of the delivery vehicle preventative maintenance program at Vehicle Maintenance Facilities.
Mystery Shopper Program (2006 – New Start)	Evaluate the effectiveness of the mystery shopper program.
Administrative Vehicle Utilization (2006 – New Start)	Assess the management and control of administrative vehicles used in support of delivery operations.
Retail Operations (2006 – New Start)	Assess whether USPS Retail Operations are increasing revenue, controlling costs and ensuring safety and security of merchandise.

Engineering

The Postal Service develops business systems and mail processing equipment to improve performance, enhance service, and reduce operating costs. The typical development process begins with the identification of a business need. After the business need has been identified, a solution is developed, followed by proof of concept, first article tests and final deployment. OIG work in this area will focus on reviewing Postal Service systems as they are developed.

The Engineering directorate seeks to determine whether technology investments enabled by engineering are providing maximum benefits to the Postal Service. To that end, they plan and direct audits and reviews of new or redesigned Postal Service systems, programs, and operations that are under development.

PROJECT	OBJECTIVE
Intelligent Mail Data Acquisition System (IMDAS) Intellectual Property Rights/Profit Sharing (2005 – Work In Process)	Assess the implications of marketing technology sponsored by the Postal Service.
IMDAS (2005 – Work In Process)	Assess unit requirements and cost implications of the extended maintenance contract.
Automated Package Processing System (APPS) Deployment (2005 – Work In Process) (joint work with Supply Management)	Assess known performance challenges and the adequacy of retest plans.
Flats Recognition Improvement Program (2005 – Work In Process) (joint work with Supply Management)	Assess Postal Service requirements and contract activities.
Assessment of APPS Operational Impacts and Costs (2005 – Work In Process)	Assess logistics management considerations and progress payments.
Flat Remote Encoding System Survey (2005 – Work In Process)	Assess the adequacy of the business justification and performance measures used to control how the Postal Service realized benefits.
Biohazard Detection System (BDS) Follow-up-Maintenance and Consumables (2005 -- Work In Process)	Assess contractor maintenance and consumable costs.
Flat Sequencing Systems/ Delivery Point Packaging System (2006 – New Start)	Assess the feasibility of flats and letter mail integration.
Automation Technology Strategic Alignment (2006 – New Start)	Assess the strategic alignment of engineering programs with changes in business conditions.
Automated Tray Handling System (2006 – New Start)	Assess the cost and benefits of automating Automated Flats Sorting Machine (AFSM)-100 sweep operations.
Postal Automated Redirection System (PARS) for Flats (2006 – New Start)	Assess whether lessons learned for PARS letters are applied to flats.
IBM Replacement POS ONE (2006 – New Start)	Assess the value of competitive solutions for replacing current IBM POS ONE retail terminals.
Technology Acquisition Portfolio Management and Controls (2006 – New Start)	Determine and promote practices that minimize USPS investment risk and maximize benefits.

Capital Investments

The Postal Service spends approximately $2.7 billion a year on capital investments. These major capital investments include mail processing equipment, vehicles, and facilities. The OIG will comment on the reasonableness of any capital investment request less than $25 million. On capital investment requests of $25 million or more an assessment of whether the

capital investment is in the best business interest of the Postal Service will be made. The following is a list of anticipated 2006 capital investments identified thus far for review

PROJECT
Automated Flats Sorting Machine – 100 Auto Induction Phase II (2006 – New Start)
Singulation Scan Induction Unit / Optical Character Recognition – Video Coding System (2006 – New Start)
Automated Tray Handling System -100 Phase II (2006 – New Start)
Postal Automated Redirection System Phase II (2006 – New Start)
Automated Package Processing System Phase II (2006 – New Start)
Delivery Bar Code Sorter Equipment (2006 – New Start)
Automated Reply Card Scanning (2006 – New Start)
West Palm Beach, FL Northlake Branch (2006 – New Start)
Hayward, CA Castro Valley-San Lorenze (2006 – New Start)
Venice, FL Jackaranda Branch (2006 -- New Start)
Oklahoma City Processing & Distribution Center (P&DC) (2006 – New Start)
Northeast Metro, Michigan P&DC (2006 – New Start)
Washington, DC Mail Sanitization Facility (2006 – New Start)

HEADQUARTERS OPERATIONS

With more than 700,000 career employees, the Postal Service must foster a workplace environment consistent with its value of fairness, opportunity, safety, and security. The directorates in Headquarters Operations review those USPS functions and activities that are the critical "enablers" of the core mail operations. Our work adds value by identifying opportunities for cost savings and detecting and deterring fraud in the marketing, contracting, human capital, and security functions.

The following directorates report to the DAIGA for Headquarters Operations:

Human Capital

The Postal Service characterized improving labor management relations as one of the most important challenges in achieving its mission in the 21st century. The Postal Service realizes that to operate effectively in a rapidly changing environment, it needs to give employee issues a high priority and enhance each employee's contribution to organizational performance. In addition, controlling workers' compensation costs is vital to the Postal Service's financial well-being because the Postal Service is self-insured and makes payments out of operating funds, which directly affect the Postal Service's net income. The OIG will continue to support the Postal Service in its overall goal of developing a motivated and productive workforce.

The Human Capital directorate seeks to determine whether the Postal Service is reducing human capital costs and enhancing a performance-based culture. To that end, they plan and direct audits and reviews focusing on labor relations, labor management, and health care issues within the Postal Service to assist in maintaining a healthy and safe organizational climate for employees and improving operational economy, efficiency, and effectiveness.

PROJECT	OBJECTIVE
Schedule Award Payments – Department of Labor (DOL) Office of Workers' Compensation Program (OWCP) (2005 – Work In Process)	Determine, for chargeback years (CBY) 2001 to 2003, whether 1) the Postal Service was overcharged for schedule award payments, 2) the Postal Service received credits or refunds for overpayments from OWCP, and 3) the federal schedule award is comparable to certain state and private insurance company schedule award payments.

PROJECT	OBJECTIVE
Postal Service Participation in the OWCP (2005 – Work In Process)	Analyze the issues pertaining to the Postal Service's participation in the DOL OWCP, particularly as they relate to whether or not the DOL program can be replaced with a less costly program. We will also provide our perspective on how a change in legislation could affect the Postal Service and DOL.
North Texas P&DC's Analysis of Root Causes of Accidents, and Injury and Illnesses and Implementation of Prevention Programs (2005 – Work In Process)	Determine for FY 2003, the extent to which the North Texas P&DC addressed the root causes of the accidents, and injuries and illnesses that occurred the most and assess the implementation of safety prevention programs related to the root causes
DOL's OWCP Claims Adjudication Process for Postal Employees (DOL perspective, file management approach) (2005 – Work In Process)	Determine the effectiveness of the DOL OWCP claims adjudication process. Specifically, we will determine whether: 1) the Kansas City and New York DOL OWCP District Offices are in compliance with the claims adjudication policies and procedures and 2) Postal Service's controversions (an employing agency's action to dispute the entitlement of Continuation of Pay for a traumatic injury) and challenges are effective in ensuring only eligible employees are placed on the periodic roll.
DOL's OWCP Claims Adjudication Process for Postal Employees (Postal perspective, case maintenance approach) (2005 – Work In Process)	Determine the effectiveness of the DOL OWCP claims adjudication process. Specifically, we will determine whether: 1) The Kansas City and New York DOL OWCP District Offices are in compliance with the claims adjudication policies and procedures and 2) Postal Service's controversions and challenges are effective in ensuring only eligible employees are placed on the periodic roll.
Grievance Processing Centers (2005 -- Work In Process)	Evaluate the quality of operations at the centers and determine if they are operating in a cost-effective manner. Also, determine the feasibility of consolidating operations and the cost savings associated with consolidation.
Administrative Fee Formula (2006 – New Start)	Determine whether the formula is equitable and can be modified, and determine the extent the DOL is managing cases for employees who have been on the periodic rolls for 3 or more years.
DOL Duplicate Payments (2006 – New Start)	Determine the cause of duplicate payments and how the OWCP corrected them.
Schedule Awards in the New York Metro Area (2006 – New Start)	Determine the extent New York Metro Area employees are paid more or less than the amount authorized for schedule awards.
Workplace Environment (2006 – New Start)	Contrast what the roles of the Office of Inspector General and the Postal Service are in addressing hostile work environments.
Comprehensive Strategic Workforce Plan (Includes Succession Planning) (2006 – New Start)	Determine if the Postal Service has developed a Comprehensive Strategic Workforce Plan and whether it includes 1) reduction of staff through attrition, 2) a link to the Postal Service's strategic vision, and 3) consideration of other programs, such as the Management Intern Program, Management Associate Program, and the Associate Supervisor Program.

Oversight of Investigative Activities

One of the reasons for the Inspector General Act, as amended, was to establish an independent OIG to provide oversight of all U.S. Postal Inspection Service activities, including any Postal Inspection Service investigations. It is essential we hold the Postal Inspection Service, as a law enforcement agency, to the highest standards of conduct to maintain the public's trust and the Postal Service's reputation of reliability. In accordance with the Act, the OIG provides objective information and assessments of the activities of the Postal Inspection Service to keep the governors, Congress, and Postal Service management fully informed of Postal Service law enforcement efforts and to detect and prevent fraud, waste, abuse, and mismanagement.

The Oversight of Investigative Activities directorate seeks to determine whether the Postal Service and Postal Inspection Service have adequate controls and processes to efficiently and effectively safeguard employees, customers, and other critical assets. To that end, they plan and direct audits and reviews of the functions and operations of the Postal Inspection Service.

PROJECT	OBJECTIVE
Postal Inspection Service's Service Centers (2005 – Work In Process)	Determine whether the Postal Inspection Service's four Service Centers located in Newark, NJ; Memphis, TN; Bala Cynwyd, PA; and Chicago, IL are efficiently and effectively supporting the mission of the Postal Inspection Service. (Note: We plan to start the Chicago, IL site in 2006.)
Overall Capping Report — Postal Inspection Service Centers (2006 – New Start)	Report on results of whether the four Postal Inspection Service's Service Centers efficiently and effectively supported the mission of the Postal Inspection Service.
Qualitative Assessment Reviews (QARs) of the Postal Inspection Service's Divisions (2005 – Work In Process)	Determine whether due diligence was applied when conducting investigations and whether internal and management controls were effectively implemented when executing investigative and related administrative processes. (Note: Current work-in process initiated in FY 2005 includes the Atlanta and Charlotte Divisions.)
Overall Capping Report — QARs of Six of the Postal Inspection Service's Divisions (2006 – New Start)	A summary QAR report on six Postal Inspection Service divisions providing results on whether due diligence was applied when conducting investigations and whether internal and management controls were effectively implemented when executing investigative and related administrative processes. (Note: The six divisions are Philadelphia, Houston, San Francisco, Atlanta, New York, and Charlotte.)
QAR of the Postal Inspection Service's Six Divisions (2006 – New Starts)	Determine whether due diligence was applied when conducting investigations and whether internal and management controls were effectively implemented when executing investigative and related administrative processes. (Note: We will conduct these reviews at six divisions located in the Postal Inspection Service's East, South, and West field operations.)

PROJECT	OBJECTIVE
Security Controls (2006 – New Start)	Determine whether the Postal Service and Postal Inspection Service have adequate controls and processes to efficiently and effectively protect employees, customers, and other critical assets of the Postal Service.
Postal Inspection Service's Forensic Laboratories (2006 – New Start)	Determine whether the Postal Inspection Service's four forensic laboratories are efficiently and effectively supporting the mission of the Postal Inspection Service. (Note: The four laboratories are located in Dulles, VA; New York, NY; Chicago, IL; and Memphis, TN.)
Overall Capping Report — Postal Inspection Service's Laboratories (2006 – New Start)	Report on whether the Postal Inspection Service's four laboratories efficiently and effectively supported the mission of the Postal Inspection Service.
Postal Inspection Service's Area Case Investigations (2006 – New Start)	Assess Postal Inspection Service policies and practices to account for preliminary investigations (area cases) including whether management is providing effective oversight.
IEMP (Integrated Emergency Management Plan) — 2006 New Start	Determine whether the Postal Service's and the Postal Inspection Service's emergency preparedness plans and programs reasonably protect Postal Service employees, customers, operations, and mail during emergencies.
USPS/USPIS Practices for Responding to Suspicious Powders (2006 -- New Start)	Assess policies and practices of the Postal Service and the Postal Inspection Service for handling suspicious powder mail.
Follow up Audit on the Consumer Fraud Fund (2006 – New Start)	Determine whether the Postal Inspection Service is managing the consumer fraud fund efficiently and effectively.

Facilities

The Postal Service Facilities mission is to provide quality real estate and facilities products and services to meet the present and future needs of Postal Service operations, and to realize optimum value from facilities' assets and transactions. OIG work in this area will focus on the Postal Service's challenge to control and reduce costs, and identify opportunities to realize optimum value from facilities' assets.

The Facilities directorate seeks to determine whether the Postal Service effectively and efficiently provides quality real estate and facilities products and services to meet present and future needs. To that end, they plan and direct audits and reviews covering all aspects of postal facility repair, renovation, and new construction.

PROJECT	OBJECTIVE
Management of Excess Real Property (2006 – New Start)	Determine if the USPS areas are reviewing undeveloped and unused real properties and referring any excess properties to Realty Asset Management.
New Construction Life-Cycle Review (Top Ten Capital Investment) (2006 – New Start)	Review a top ten capital investment facility program from inception through completion.
Facilities AMP (2006 – New Start)	Monitor and respond to Facilities AMP initiatives in connection with END.
Maintenance and Repair Costs - Phase I (2006 – New Start)	Determine whether USPS is adequately forecasting for repairs and alteration projects.
Lease Renewal Requirements (2006 – New Start)	Determine if USPS is mitigating leasing costs by maximizing utilization of existing owned/lease properties.
Facility Site Visits (2006 – New Start)	Summarize the results and report on systemic/significant issues identified during Field Operations site audits.

Marketing

One of the major management issues facing the Postal Service is identifying long-term strategies to better balance its statutory mandate of providing universal service with its need to remain a viable business enterprise. This process was noted in the Postal Service's Transformation Plan and planned actions to address recommendations from the Presidential Commission's report. OIG work in this area will independently assess the efficiency and effectiveness of the strategies and measures the Postal Service put in place to support its strategic goals.

The Postal Service operates in a globally competitive environment and its ability to maintain or increase its market share of the $900 billion mailing industry is essential to providing universal service at affordable rates. Therefore, the Postal Service designs its marketing products and services to build customer awareness and loyalty. The Postal Service also wants to ensure that its services are available at places where customers choose to do business. OIG work in this area will focus on evaluating marketing strategies and programs to assist the Postal Service in improving products and services for their customers.

The Marketing directorate assesses whether Postal Service marketing efforts are effective in growing revenue, managing costs, improving customer services. To that end, they plan and direct audits and reviews that examine how the Postal Service's activities, organization, and policies relate to its strategic vision and mission. OIG reviews focus on a variety of areas, including the Transformation Plan, Marketing, and International Business.

PROJECT	OBJECTIVE
Hybrid Services (2005 – Work In Process)	Determine the adequacy of revenue and data information provided to the Postal Service by Hybrid Services partner organizations. We will also determine if adequate controls are in place to track revenue and costs related to Hybrid Services revenue share agreements.
Personal Computer (PC) Postage Refund Review (2005 – Work In Process)	Determine the effectiveness of Postal Service's management of the PC Postage Refund operations.
Postal Service Cost Reduction Programs (2006 – New Start)	Determine whether USPS policies and procedures ensure that all relevant cost-reduction programs are included in the postal rate case.
Data Collection Systems General and Application Controls (2006 – New Start)	Determine whether general and application controls over USPS data collection systems provide reasonable assurance that data was accurately processed and reported.
Worksharing (2006 – New Start)	Identify USPS criteria for establishing and revising workshare discounts; test consistency of application; and test whether expected savings materialize.
Postal Qualified Wholesaler (PQW) Program (2006 – New Start)	Determine whether the PQW Program is achieving its intended purpose.
Call Centers (2006 – New Start)	Determine whether call centers 1) are effectively resolving caller concerns and 2) can contribute to the "Lobby of the Future."
USPS Use of Ghost Numbers (2006 – New Start)	Determine what policy or regulation governs the Postal Service's collection and use of mail service provider (MSP) customer data (i.e., ghost numbers); and review the purposes for which MSP customer data is used.

Supply Management

The Postal Service manages contracts with commitment values totaling over $26 billion annually for its goods, transportation, and facilities-related services. Over the past several years, the Postal Service implemented the supply chain management philosophy to maximize the effectiveness and efficiency of these expenditures. OIG audit work will focus on the Postal Service's challenge in this area to control and reduce costs yet maintain efficient acquisition practices with effective controls to prevent fraud, waste, and abuse.

The OIG is also responsible for contract audits designed to assist Postal Service contracting officers in determining fair and reasonable contract prices, as well as to provide them with reviews of contractors' financial systems.

The Supply Management directorate seeks to determine whether the Postal Service can achieve supply chain management excellence and reduce acquisition costs. To that end, they plan and direct audits and reviews of purchasing, contracting and supply management activities. In addition, the OIG oversees Defense Contract Audit Agency (DCAA) and Defense Contract Management Agency (DCMA) audits.

PROJECT	OBJECTIVE
Mandatory Use of National Contracts (2005 – Work In Process)	Review compliance with mandatory national contracts.
Controls Over Noncompetitively Awarded Contracts (2005 – Work In Process)	Determine whether non-competitive contracts are properly justified and priced.
Flats Recognition Improvement Program (FRIP) (joint work with Engineering) (2005 – Work In Process)	Determine whether 1) the FRIP timely and effectively met Postal Service requirements and 2) contract activities supported program requirements and were conducted in accordance with Postal Service policies and procedures.
Automated Package Processing System (joint work with Engineering)) (2005 – Work In Process)	Determine whether fielded systems and logistics support activities meet Postal Service requirements and whether contract activities supporting program requirements are performed in accordance with Postal Service policies and procedures.
DCAA and DCMA Contract Administration (2005 – Work In Process; 2006 – New Start)	Coordinate DCAA and DCMA audit services.
Supply Chain Management Selected Initiatives (2005 – Work In Process)	Review reported supply chain management impact associated with selected initiatives.
Source Selection - Mail Automation Equipment (2006 – New Start)	Analyze the risk associated with USPS' limited supplier base in the mail automation equipment area.
Controls Over Contractor Payments (2006 – New Start)	Evaluate controls over contractor payments.
Major Program Acquisition (2006 – New Start)	Determine whether Supply Management activities support major program acquisitions and are in accordance with Postal Service policies and procedures.
Selected Aspects of Purchasing Reform (Business Relationships and Use of An Ombudsman) (2006 – New Start)	Determine the impact of new regulations regarding business relationships and the ombudsman on contract appeals, protests, and cancellations.
Controls over eBuy Contracts (2006 – New Start)	Determine if the Postal Service effectively manages eBuy contracts.